



September 28, 2011

Chairman Julius Genachowski
Federal Communications Commission
445 12th Street SW
Washington, DC 20554

Dear Chairman Genachowski:

The National Cable Television Cooperative (NCTC) doesn't typically comment on FCC matters. Instead, we generally rely on the American Cable Association to voice the concerns of our collective independent operator members. However, in light of the ongoing Mediacom-LIN retransmission consent dispute and the fact that smaller cable operators will be negotiating thousands of similar deals with broadcasters this fall, I wanted to offer some facts and insights to help put the dispute, and the retransmission consent issue for smaller cable operators generally, in context.

NCTC acts as a buying cooperative for video programming on behalf of its member companies, who may "opt into" programming agreements if they are satisfied with the prices negotiated. NCTC members are comprised of more than 950 independent cable operators. Nearly half of NCTC companies serve fewer than 1,000 subscribers. We have significant exposure to the business operations of our membership, both with regard to their programming and hardware purchasing needs, and the prices they pay. It is from this position that I thought it might help you in your deliberations to understand what we hear from our membership.

At meeting after meeting, the most prominent concern shared by members is the escalating cost of programming, both from cable networks, for which NCTC negotiates the carriage agreements, and from broadcast stations, for which smaller operators negotiate retransmission consent agreements themselves. While increasing costs of inputs are a concern you would expect as part of any ongoing business, in the video programming market it has now reached a critical level. Many now believe that the video distribution business is no longer sustainable. Since January 2010, 28 member companies have exited the video business completely, unable to absorb the increases and unwilling to ask cash-strapped consumers to pay more for the same service. If current programming market trends hold, we expect to see this pace increase to the detriment of consumers and competition. This has the undesirable effect of lessening competition in the video marketplace as well as choice for consumers. People living in small, rural communities seem to be among the first Americans to face this unwelcome trend.

Right now, smaller cable operators are facing sharply increasing retransmission consent fees. We are told by many members that they believe the rate increases they are being asked to pay are much larger than those of the major cable operators who have more negotiating power in various broadcast markets. At the same time, we see in the press that major broadcast network groups are requiring their affiliates to remit to the network 50 percent of the local retrans fees, thus putting pressure on the local affiliate and potentially reducing funding for local news and public affairs programming (one of the original arguments for retrans fees).

In addition, the prices they are being asked to pay for cable programming networks are also escalating. In some cases, major programming groups are negotiating for both cable programming and retransmission consent with varying degrees of linkage, thus increasing their already substantial negotiating leverage with smaller operators. In recent negotiations with major cable programmers, NCTC members have faced cost increases of 10 to 90 percent, yet in

2010, the rate of inflation was just 1.64 percent. Compound this with bundled carriage requirements that force unwanted networks onto systems or onto more widely distributed tiers, and the cost impact on consumers is even more significant.

The rapidly escalating price of video programming adversely affects both independent cable providers and their consumers and has a chilling effect on deployment of broadband and other advanced services in small towns and rural America. Expansion of broadband and advanced services into unserved areas is slowed or stopped cold by these large, wholesale programming cost increases. This is the factual reality that I am increasingly finding as I tour the country and speak with our members.

I understand that you have issued a notice of proposed rulemaking to reform the Commission's retransmission consent regulations, and know that many smaller cable operators appreciate your efforts in this area.

I hope that you will take the foregoing information and views into account as you see retransmission consent impasses involving smaller operators develop in the current negotiating cycle, and consider what the Commission can do to help minimize the impact of these disputes on consumers.

I am happy to discuss these issues in person and welcome the opportunity to work together with you in the FCC's efforts to protect consumers.

Sincerely,

A handwritten signature in black ink, appearing to read 'Rich Fickle', with a long horizontal flourish extending to the right.

Rich Fickle
President & CEO

cc: Commissioner Michael J. Copps
Commissioner Robert McDowell
Commissioner Mignon Clyburn